

Glasgow Community Justice Authority

Annual report on the 2012/13 audit



Prepared for Members of Glasgow Community Justice Authority and the Auditor General for
Scotland

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Contents

Key Messages	4
2012/13.....	4
Outlook.....	4
Introduction.....	5
Financial statements	6
Conduct and scope of the audit.....	6
Audit opinion & accounting issues	6
Audit findings (ISA260).....	6
Financial position	7
Corporate governance and systems of internal control.....	8
Appendix A: Action Plan	11
Key risk areas and planned management action	11

Key Messages

2012/13

We have given an unqualified opinion that the financial statements of Glasgow Community Justice Authority for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The Glasgow Community Justice Authority's financial transactions are processed through Glasgow City Council's financial systems. Our review of these systems was conducted as part of the audit of the council, supplemented by specific audit work on the Authority's financial statements. No material weaknesses in the accounting and internal control systems were identified during the audit. In addition the arrangements for the prevention and detection of fraud were satisfactory during 2012/13.

Outlook

The 2013/14 core grant allocation for the Glasgow Community Justice Authority remains unchanged from £18.2 million. The administration grant remains constant. The financial position continues to be challenging with increasing demands for services. Expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

A national consultation period on the future structure of Community Justice Authorities ended on 30 April 2013. The potential structures being consulted on are: enhanced community justice authorities; a national community justice authority; and the services' being delivered by the local authorities. The Scottish Government is expected to announce the outcome of this late in 2013. Legislation will then be introduced to permit the new structure to be implemented in 2016.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of the Glasgow Community Justice Authority (the Authority). The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland in May 2011. This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the Authority and no responsibility to any third party is accepted.
3. [Appendix A](#) is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Authority understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is also addressed to the Auditor General for Scotland and will be published on Audit Scotland's website after consideration by the Glasgow Community Justice Authority.

Financial statements

Conduct and scope of the audit

5. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan issued to the Glasgow Community Justice Authority on 28 February 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
6. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

7. We have given an unqualified opinion that the financial statements of the Glasgow Community Justice Authority for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 29 October 2013.
8. We received the unaudited financial statements on 12 August 2013. The working papers were of a high standard and the staff provided good support to the audit team and we completed our on-site fieldwork in October 2013. Glasgow Community Justice Authority is required to follow the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Audit findings (ISA260)

9. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body. Our ISA 260 letter covering the 2012/13 audit of the financial statements was issued to the Chief Officer on 23 October 2013. There was one issue raised that requires to be brought to your attention.
10. **Documentation of expenditure approvals:** Our testing of a sample of expenditure items highlighted a number of transactions for which the approval had not been formally documented. However the nature of the expenditure was appropriate to the Glasgow Community Justice Authority and had been approved under the scheme of delegation.

Resolution: All supporting documentation for expenditure transactions will be signed by the appropriate officer as evidence of approval.

Refer action point 1

11. No other issues require to be brought to your attention regarding the appropriateness of the Glasgow Community Justice Authority's accounting policies or accounting estimates and judgements, the timing of transactions, the existence of any material unusual transactions or the potential effect on the financial statements of any uncertainties.

Financial position

2012/13 Outturn

12. The main financial objective for the Authority is to ensure that the financial outturn for the year is within the grant allocated by Scottish Ministers.
13. Table 1 below compares the actual level of spend in 2012/13 to funding levels.

Table 1: Resource Budget

	Final Budget (£'000)	Actual Outturn (£'000)	Under / (Over) spend
Total Section 27 Funding (including community payback projects)	18,476	18,509	(33)
Administration Grant	220	209	11
National Grant	48	48	-
TOTAL	18,744	18,766	(22)

Source: Glasgow Community Justice Authority Financial Statements 2012/13

2012/13 financial position

14. In 2012/13, the Authority's total expenditure was £18.766 million. This was met mainly by the Section 27 criminal justice grant of £18.476 million paid by the Scottish Government.
15. The total Section 27 grant expenditure final outturn was £18.509 million. This includes £0.3 million funding for community payback projects. This represents excess expenditure of £33,706 against the grant allocation. This was funded by Glasgow City Council's Social Work Services. The administration grant final outturn was £209,000. This represents a £11,000 underspend against the grant allocation. This is represented by technical accounting adjustments relating to pension costs required under International Accounting Standard: 19 Employee Benefits (IAS 19).

Financial planning

16. The core Section 27 grant allocation for the Glasgow Community Justice Authority in 2013/14 is unchanged at £18.2 million. The administration grant also remains constant at £220,000. However, service demand continues to forecast pressures on elements of the budget. This

further increases the need for difficult decisions to be made in relation to budgets and the risks of adverse impact on services. In addition, the impact of ongoing welfare reform on demand for services is yet to be fully seen.

Refer Action point 2

17. The Board approved a funding review of the Authority in June 2012. The remit of this review was to focus on areas such as the Authority's funding arrangements, governance and controls and risks. The results of this funding review were reported to the Board in December 2012. The main recommendation was to initiate a review of the Authority's Commissioning Strategy and an action plan to take this forward was agreed in September 2013. As part of our interim work for the 2013/14 audit, we will consider progress against the action plan.

Corporate governance and systems of internal control

Overall governance arrangements

18. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found that Glasgow Community Justice Authority had sound governance arrangements in place.

Accounting and internal control systems

19. Glasgow Community Justice Authority's financial transactions are processed through Glasgow City Council's financial systems. Our review of these systems was conducted as part of the audit of the council, supplemented by specific audit work on the Authority's financial statements. No material weaknesses in the accounting and internal control systems were identified during the audit.

Prevention and detection of fraud and irregularity

20. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. The Authority follows Glasgow City Council's arrangements. The arrangements established for the prevention of fraud and irregularities have therefore been considered as part of the audit of Glasgow City Council. There are no matters that we wish to bring to the attention of the Authority, although it should be noted that no system can eliminate the risk of fraud entirely.

Standards of conduct and arrangements for the prevention and detection of corruption

21. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. The Authority had adopted the Glasgow City Council arrangements. Auditors consider whether bodies have adequate arrangements in place and these have been considered by the audit of Glasgow City Council. No issues have been identified by us for inclusion in this report.

Best value

22. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. A key element of any best value framework is a sound approach to performance management.

Performance management

23. A new performance framework was approved by the Board in December 2012. This is to allow performance for 2012/13 against the Glasgow Criminal Justice Authority Area Plan 2011-14 to be measured. Some interim measures have been used within the framework due to some data not being available for 2012/13. It was agreed that the performance framework would form part of the annual report and that a 6 monthly update would be provided the Board. The main national indicators to be reported relate to one year reconviction rates and crime victimisation rates.
24. A high level update on performance was provided to the Board in June 2013. This did not however provide individual detail on the agreed measures. It was reported that overall the results were largely positive, however the number of adult offenders in custody was continuing to rise and problems remained with obtaining some of the required data.
25. A draft annual report was presented to the board in September 2012. However no performance data was included in this draft. It is anticipated that this will be provided to the board in December 2013 and will be issued thereafter.

Refer Action point 3

26. As the current area plan covers the period 2011-2014, an update of the Local Area Plan is underway. This will cover the period of transition up to the potential new structure that is currently being considered by the Scottish Government and which would come into place in 2016. Consultation with partners is now taking place on the new area plan and it is anticipated that an outline Area Plan will be presented to the December 2013 board meeting. This will be held until after the announcement on the future structure of community justice services to all allow the new Area Plan to support the transition to the new structure.
27. National performance reporting in November 2012, Audit Scotland issued the national report "Reducing reoffending in Scotland". This report looked at the efficiency and effectiveness of the various approaches to reducing reoffending across Scotland.
28. The Authority has taken the positive step of reviewing current practises against the national report and in response; management prepared a report that was delivered to the board in December 2012. A number of recommendations have been approved by the Board to take forward the findings of the Reducing reoffending in Scotland report. These are to be used to inform the update of the Local Area Plan and to further develop an understanding of unit costs.

Acknowledgements

29. We would like to express our thanks to officers for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Action Plan

Key risk areas and planned management action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	10	<p>Documentation of expenditure approvals</p> <p>Our audit identified a number of transactions for which the approval process had not been formally documented. These transactions had been approved under the scheme of delegation.</p> <p><i>RISK: expenditure could be incurred without a robust audit trail to support the approval process.</i></p>	<p>Authorisations made under delegated authority will be subject to formal documentation by the relevant officer</p>	Chief Officer	Immediate
2	15	<p>Budgetary pressures</p> <p>The 2013/14 S27 allocation remains unchanged. Demand for services continues to increase and the ongoing impact of welfare reform is yet to be fully understood.</p> <p><i>RISK: future funding gaps may have an adverse impact on services and the ability to achieve objectives.</i></p>	<p>The Chief Officer will report to the Board on progress with the Commissioning Strategy and advise of relevant actions.</p> <p>The Chief Officer and Criminal Justice Social Work finance officers to meet regularly to review the budget position - reporting to the Board 6 monthly and in relation to any exceptions.</p>	Chief Officer	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	25	<p>Performance Management</p> <p>The performance management framework to support the area plan was agreed in December 2012. The draft annual report does not have the performance framework included.</p> <p><i>RISK: the aims and objectives of the Authority's Area Plan may not being achieved.</i></p>	<p>Final Annual Report to include detailed performance framework</p> <p>Quarterly performance reports to be provided to the Board</p>	Chief Officer	<p>Nov 2013</p> <p>Ongoing</p>